

Message Text

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ACTION EB-07

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C O N F I D E N T I A L CARACAS 5108

EO 11652 GDS
TAGS: EIND EINV VE
SUBJ: OWENS- ILLINOIS CASE
REF: CARACAS 4839

1. WILLIAM COLEMAN, O-I VICE PRESIDENT, MET ON MAY 16 AND 19 WITH HURTADO AND QUERO TO CONTINUE DISCUSSIONS REGARDING NATIONALIZATION OF O-I ASSETS. THE MEETINGS WERE STILL LARGELY EXPLORATORY. THE AMBASSADOR WAS INFORMED OF THE RESULTS OF THE MEETINGS BY COLEMAN AND THOMAS HUGHES, O-I'S LOCAL ATTORNEY.

2. O-I PRESENTED HURTADO AND QUERO WITH A DETAILED BRIEF DESCRIBING THEIR PROPOSAL FOR EXPANDING PLANT FACILITIES AND JUSTIFYING THEIR VALUATION OF CURRENT ASSETS. AT THE SECOND MEETING COLEMAN AND HUGHES ARGUED STRONGLY THAT THE SIMPLEST AND BY FAR MOST ADVANTAGEOUS WAY TO SOLVE THE PROBLEM WOULD BE THROUGH A JOINT VENTURE. IN EFFECT, THE GOV WOULD CONTRIBUTE SLIGHTLY MORE THAN HALF THE CAPITAL REQUIRED AND THUS OWN A CONTROLLING INTEREST. IF THIS PLAN WERE CARRIED OUT, O-I COULD EXECUTE ITS EXISTING EXPANSION PLAN AND RELIEVE THE CURRENT CRITICAL GLASS CONTAINER SHORTAGE BY GOING ON TREAM WITHIN
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A YEAR AND A HALF. THIS SOLUTION WOULD RESOLVE SUCH QUESTIONS AS THE PAYMENT OF INCOME TAXES, SINCE O-I'S CURRENT WOULD REPRESENT A CAPITAL CONTRIBUTION TO THE NEW VENTURE.

3. HURTADO EMPHASIZED THE NEED FOR AGREEMENT ON A CONCEPT FOR RESOLVING THE ISSUE, WITH DETAILS TO BE

WORKED OUT LATER. HE HAD HOPED TO CONSULT WITH PRESIDENT PEREZ BEFORE THE SECOND MEETING, BUT WAS NOT ABLE TO DO SO. QUERO HAD DISCUSSED THE MATTER BRIEFLY WITH PEREZ, BUT REPORTED THAT THE PRESIDENT'S ONLY COMMENT WAS THAT O-I COULD USE THE FUNDS PAID FOR ITS PRESENT ASSETS TO BUILD A NEW PLANT ANYWHERE IN VENEZUELA THAT IT WOULD CHOOSE. IT WAS AGREED THAT ANOTHER MEETING WOULD BE HELD LATER THIS MONTH WHEN THE GOV WOULD BE PREPARED TO COMMENT IN GREATER DETAIL ON O-I'S PROPOSALS.

4. COMMENT

IT IS APPARENT THAT O-I AND THE GOV ARE NOT YET ON THE SAME WAVE LENGTH. O-I'S ARGUMENT FOR A JOINT VENTURE IS OBVIOUSLY THE MOST LOGICAL AND ECONOMICAL SOLUTION, BUT PRESIDENT PEREZ WILL HAVE TO BE CONVINCED THAT HE WILL NO BE VULNERABLE TO POLITICAL CRITICISM FOR WEAKNESS IN REVERSING HIS FIRMLY ANNOUNCED DECISION TO NATIONALIZE O-I'S ASSETS. IT IS NOT LIKELY AT THIS POINT THAT HURTADO AND QUERO HAVE BEEN PERSUADED TO SUPPORT O-I'S CASE FOR A JOINT VENTURE.

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